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The Results of the First Year of the Five-Year Plan and Our Future Tasks in Building a Socialist Economy

Report to the Second Congress of the Hungarian Working People's Party, February 25, 1951

FOURPENCE

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The Results of the First Year of the Five-Year Plan and Our Future Tasks in Building a Socialist Economy

THE RESULTS AND SHORTCOMINGS OF THE FIRST YEAR OF THE FIVE-YEAR ECONOMIC PLAN

The Second Congress of the Hungarian Working People's Party meets at a time when we are already in a position to evaluate in detail the results of the first year of our economic Five-Year Plan. Comrade Rákosi in his report on the first point on the agenda of the Congress touched upon the most important questions of our economy. Let us examine more closely what we have accomplished, what are the shortcomings in our work of economic construction and what are the tasks which derive from our successes and shortcomings so far, for our Party, working class and country.

If we look at the development of our economy as a whole, we can state without exaggeration that we have done good work in the first year of the Five-Year Plan.

INDUSTRIAL PRODUCTION

Our *manufacturing industry*, excluding local industry, developed about one and a half times faster than prescribed. The resolution of the Central Committee of our Party, and on the basis of it, the law on the Five-Year Economic Plan, prescribed an increase in industrial production of 86.4 per cent. by 1954, the end of the Five-Year Plan, as compared with 1949. Accordingly, we set the increase of industrial production for 1950 originally at 21.4 per cent. In the course of the year, we considerably raised the original target in a number of industries on the basis of the Resolution of the Central Committee of our Party and the Council of Ministers of our People's Republic. As is well known, our manufacturing industry overfulfilled by 9.6 per cent. the targets—which had already been increased in the course of the year—and, subsequently, the increase in our entire industrial output operating by plan in 1950 was 35.1 per cent. as compared with 1949, the last year of the Three-Year Plan. This gigantic increase surpassed our highest expectations and no capitalist country has ever known anything like it.

In conformity with the Stalinist law of socialist industrialisation, the development of the production of our *heavy industry* surpassed that of our *light industry*, although our huge investments in heavy industry will only make their effect felt in our industrial production in the latter years of the Five-Year Plan. The production of our heavy industry rose in the first year of the Five-Year Plan by 36.2 per cent., compared with the previous year, and our light industry by 34 per cent. The progress of our entire industry, and within this also that of our manufacturing industry, was far outstripped by our machine industry, the production of which leaped forward by 42.3 per cent. in a single year, which also conforms to the Stalinist law of socialist industrialisation.

In addition to the heavy and light industry, our *building industry* registered a significant advance; its output increased in the first year of the Five-Year Plan period by 116 per cent. compared with the previous year, overfulfilling its production plan by about 30 per cent. Never before was so much built in Hungary as within the first year of the Five-Year Plan. One of the main factors in the powerful upswing in the output of the building industry is that in the first year of the Five-Year Plan our building industry became transformed from an industry of a predominantly handicraft character into an already, in part, factory-type, mechanised, large-scale building industry, although we are still lagging behind in the sphere of mechanising our building industry.

The Five-Year Economic Plan prescribed that the *productivity of labour* shall increase by 50 per cent. in five years. However, already in the first year productivity in our industry, measured in value produced during one completed working hour, rose by more than 20 per cent. The picture is somewhat less favourable if we examine how the value of production changed relative to 100 forints paid in wages. There is no increase here but rather some decrease: the value of production during one year, relative to 100 forints wages paid out, decreased in heavy and light industry by 2.6 per cent., and in the building industry by 1.6 per cent. In other words, *the wage fund increased at a faster rate in our industry than production*, which cannot be considered as normal.

The Five-Year Economic Plan prescribed the *reduction of production costs* for 1950-54 by 25 per cent. Accordingly, the production costs of our industrial production should have decreased by approximately 5 per cent. in the first year of our Five-Year Plan. Various calculations show that we have approximately reached this reduction in production costs, although we can only state this with reservation because, in the first year of the

Five-Year Plan, we did not yet have a really reliable method worked out in detail for the measuring of production costs.

The extremely rapid development of our manufacturing and building industries as a whole cannot distract our attention from those *shortcomings* which, in addition to those already mentioned, are manifest in the development of our industry. Thus, although the development of the production of our basic materials industry also quickened compared with the original goal set by our Five-Year Plan, yet the acceleration of the tempo of our production of basic materials, the production of *iron, steel, rolled steel and coal* is considerably lagging behind the *rate of accelerated development in the entire industry*. Similarly, although we produced more electric energy in the first year of the Five-Year Plan than prescribed by the Plan for that year, *the rate of acceleration of the production of electric energy is lagging behind that of industry as a whole.*

It is beyond doubt that the development of metallurgy, coal mining, and the production of electric energy is much more difficult, more expensive and requires a longer time than that of the light industry, machine industry or building industry. It is also clear that the results achieved during 1950 in metallurgy and the production of electric energy surpassed by far all that we originally planned as far as these branches of industry are concerned. Likewise, mining as a whole overfulfilled by 6.2 per cent., and coal mining by 2.1 per cent., the production goal raised in the course of the year. Experience, however, proved that we need far more coal than we ourselves foresaw when we worked out the Five-Year Economic Plan. Yet, the quickening development of our entire industry as compared with that prescribed in the original Five-Year Plan compellingly places before us *the task of a very considerable increase of our mining and, within this, of our coal production.*

Nor can we forget when speaking about the shortcomings appearing besides very important results in the first year of our Five-Year Plan, that our *handicraft co-operative movement* has been practically marking time for two years; and our local industry, that is, the industry processing mainly local raw materials and destined to satisfy local requirements, subordinated to the local Councils, is still in its infancy. This is a phenomenon which cannot be considered at all as in the nature of things. Our handicraft producers co-operative movement marking time, and the lack of development of our local industry proves that our Party and our people's democratic State did not pay proper attention to these branches of our economy, did not foster to the necessary extent the development of the handicraft co-operatives and of the local industry. For all this there is a willingness among the handicraftsmen to co-operate and a considerable part of our handicraftsmen already realise that this gives them the possibility of becoming definitely a part of the economy of the People's Democracy, of the system of socialist economy in construction. As far as local industry is concerned, the establishment of local Councils, the gradual transfer of a number of economic activities to them and the creation of the Directorate of Local Industry must speed up the development to a considerable degree.

TRANSPORT

Our *transport* not only solved the tasks laid down for the first year of the Five-Year Plan, but was able to keep pace with the much faster development of our economy compared with the original target, in particular of our manufacturing industry and construction. Our transport overfulfilled its plan of shipment of goods—excluding lorry transportation—by about 2 per cent.; the overfulfilment of passenger transport is 7.5 per cent. Our railways transported in 1950 approximately 23 per cent. more goods than in the last year of the Three-Year Plan. They transported roughly 70 per cent. more goods in 1950 than in the last pre-war year.

We can form a complete picture of the rate of development if we take into consideration that in the period preceding the Second World War, the transportation of goods by the Hungarian railways increased at an average of 2 to 3 per cent. yearly. This huge increase in 1950 therefore, clearly shows the forceful development of our entire economy which could only be possible under the system of the People's Democracy building socialism. Railway passenger traffic increased in 1950 to an even greater degree than the goods traffic, 25.7 per cent., pointing not only to our economic development but also to the increased living standard of our working people. The shipment of goods by lorry transport increased by more than 160 per cent. during one year. Our long-distance bus traffic registered significant development: it increased by 70 per cent. within one year. Our shipping overfulfilled its goods transport plan by 12 per cent., and the plan of passenger transport by 25.5 per cent.

AGRICULTURE

Our *agriculture*, partly because of the unfavourable weather, did not develop evenly in 1950. While we produced 9.2 per cent. more bread grain than in 1949, we lagged behind—though not as compared with 1949—the plan prescribed for 1950, in fodder grain and fodder plants in general and in a considerable part of industrial plants. This setback is especially significant in maize and sugar beet of which more was grown than in 1949, but the quantity prescribed for the first year of the Five-Year Plan was only realised by 79 and 85 per cent. respectively.

The poor yield of fodder crops slowed down and, in part, hampered the development of our live-stock; the sabotage of the enemy, of course, also played a role in this. Our stock of pigs was not much larger in October, 1950, than in the same month of the previous year, while our cattle stock decreased by about 50,000. At the same time, the live-stock of the State Farms and the producer co-operative groups increased considerably. The livestock of the State Farms increased by 125 per cent. in 1950 and surpassed the goal set by the plan.

We have made important steps forward in mechanising agriculture during the first year of our Five-Year Plan. During one year, the machine inventory of the machine stations and State Farms increased by 4,400 tractors and besides this a large number of other agricultural machines were put at the disposal of agriculture. The utilisation of artificial fertilisers increased by 50 per cent. during 1950. Agrotechnique showed a certain improvement also, following the well-known resolution of the Council of Ministers not only on State Farms and producer co-operatives, but also on individually cultivated holdings.

Taken as a whole, however, *we cannot consider the development of agriculture satisfactory during the first year of the Five-Year Plan.* The lagging behind of our agriculture, compared with industry which is moving ahead at a rapid pace, is not clearly enough shown by these output figures, by the comparison of the value, or rather the increase in the value of industrial and agricultural output. It is not shown because in the People's Democracy the village population consumes at present an incomparably larger part of the products of agriculture than they were able to consume in Horthy Hungary of the big capitalists and land-owners. The working peasant was at that time compelled to deprive himself of his very sustenance, he was compelled to market the products most necessary for his consumption in order to be able to somehow exist. The living standard of the village population in the Hungary of " 3,000,000 beggars " was unbelievably low.

There is a familiar saying that in old Hungary the working peasant could, at the most, afford the luxury of eating the poultry raised by himself in two cases: if he was sick or if the poultry was sick. Thanks to the land reform and the many-sided assistance tendered by the People's Democracy to our working peasantry, the Hungary of the " 3,000,000 beggars " has disappeared. This is no doubt a great achievement. At the same time, we cannot close our eyes to the fact that our scattered agriculture produces not only too little but also not enough commodities, that the *goods production of agriculture is lagging badly behind the goods production of industry.* Thus, the goods production of industry increased by 35 per cent. in 1950, while that of agriculture increased only by 4 to 5 per cent. It is obvious that this situation cannot continue for long.

The main reason for the lagging behind of agriculture, compared with the production of industry, which is progressing with seven-league boots, is that our industry is already predominantly socialist, large-scale industry while our agriculture is an economy of mainly scattered, small commodity production which is not producing enough commodities. In addition this was also influenced by the fact that we do not always pay sufficient attention to the development of our individually cultivated holdings. The very rapid development of industry in the first year of our Five-Year Plan and, at the same time, the lag of agriculture, still further widened the gap between the productive capacity of socialist large-scale industry and agriculture producing on a predominantly small scale. We should not draw the conclusion from this, however, that we have to slow down the pace of the industrialisation of our country, but rather that we have to increase the pace of industrialisation, increase the mechanisation of agriculture, increase the supply to agriculture of artificial fertilisers, work implements and means of transportation; we also have to create new conditions, through increased industrialisation, in order that our agriculture, which is broken-up, overwhelmingly based on small-scale goods production and producing few goods, shall be reorganised into a large-scale, socialist economy producing plenty of goods, abundantly meeting all the needs of our industry and population.

DOMESTIC TRADE AND PUBLIC SUPPLY

The volume of domestic trade increased to a large extent during 1950. The turnover of the State wholesale trade—hence of our entire wholesale trade, because we had no longer any private wholesale trade in 1950—increased, in one year, by 57.4 per cent. and our wholesale trade overfulfilled the plan of commodity turnover by almost 7 per cent. The 1950 retail trade turnover—State, co-operative and private retail trade combined—surpassed that of 1949 by 18.8 per cent., while the turnover of the State retail trade went up by more than 190 per cent. Improved supply of goods to the rural population was served by the large-scale development of turnover and the shop network of the agricultural co-operatives. The turnover of the agricultural co-operative stores increased in 1950 by 120 per cent., while the number of co-operative stores increased by more than 3,300.

As a result of the development in 1950, the role of socialist—that is, State and co-operative—trade in our domestic sale of commodities became considerably stronger. This strengthening is expressed by the fact that, at present, socialist trade handles about 70 per cent. of the consumers' trade.

The considerable development of our domestic trade and significant strengthening of our socialist trade does not entitle us, however, to close our eyes to the shortcomings which exist in our home trade goods supply and which make their effects felt day by day.

We have to state first of all that while in previous years the stocking of surplus goods in warehouses caused us frequent concern, in 1950, in spite of the general increase in production, demand of a number of goods outstripped supply. In other words, the population would have liked to buy more of certain commodities than the amount available. Of course, this was not the situation by far in the case of all goods. The fact in itself that the demand for a number of commodities was greater than the amount on hand cannot be considered as a negative phenomenon without any further comment. On the contrary, to some extent and in certain fields, this is a natural phenomenon in the economy of the People's Democracy. For instance, in 1950 we manufactured 156,000 bicycles as well as almost 10,000 motorcycles and even this huge number, considering our conditions, did not prove sufficient. If there had been more available they would have

been purchased. This shows to what extent the standard of living of our working people went up. For I do not have to tell you that the 156,000 bicycles were not purchased, in the main, by the bourgeoisie, whose number, thanks to our People's Democracy, is fast ebbing, but by the working people. Likewise, the bulk of the 10,000 motorcycles went to the working people. We produced radio sets in 1950 to the value of approximately 120,000,000 forints, about 43 per cent. more than in the preceding year. The greater part of these radios also went to the working people. It is therefore understandable that in a number of fields the demand is greater than our production can meet at the given time.

But, of course, the irregularities noticeable in the domestic goods turnover cannot be accounted for by these facts alone. The lagging of agricultural production behind the accelerated production of our industry, above all, plays a role in the irregularities of domestic trade: this leads to disproportion between goods supplied by our industry and the amount of commodities produced in agriculture, with a deficiency in agricultural products. But, the fact that the number of wage earners and the wage fund are growing at an extremely rapid pace also plays a role in this. On the other hand, this rapid increase in the number of workers finds expression for the time being to a lesser degree in the increase of the production of consumer goods, because socialist industrialisation demands that we shall develop *now*, above all, our heavy industry—that is, the manufacture of the means of production in general. To this we can add our own inexperience and lack of organisation in the field of State and generally socialist trade. Last, but not least, the conscious sabotaging against our People's Democracy by the enemies of the people, by the exploiting classes and their remnants and by the various reactionary elements plays a very important role.

It is a known fact that during 1950 the enemy repeatedly tried to disrupt our public provisioning with hoarding, far surpassing the current needs. They went out of their way to organise queues and did everything to try to make our public supply position more difficult. For the furtherance of this infamous aim, the enemy made use of our weaknesses and the sabotaging elements hiding in our State machinery, in our socialist trade apparatus. It is characteristic that upon examining according to counties and areas the sudden rise of the commodity turnover occurring from time to time, and the irregular rise of purchases, one can establish a certain relationship between the appearance of the so-called purchasing fever and the course of the delivery of agricultural produce.

Thus, for instance, mass purchasing reared its head last July in Vas and Veszprém counties which at that time considerably lagged behind in deliveries, while at the same time in Hajdu county, which marched at the head with deliveries, one could scarcely notice an increase in buying. This also shows that we must look for the hand of the enemy in purchases surpassing the current needs which, from time to time, appeared last year in certain areas of the country. The enemy, against whom we struck heavy blows in many fields, threw himself on the field of public provisioning. Thus, *the question of public provisioning became one of the most important sectors of the class struggle.*

The Central Committee of our Party recognised the changed tactics of the enemy of our people. It recognised that the question of public provisioning is a question of battle, the question of the sharpening class struggle. It recognised that the exploiting classes and, in general, the enemies of our people, after having suffered defeat in most of the other areas, selected public provisioning as one of the most important battlefields for their machinations aimed against the People's Democracy.

The State power of our People's Democracy, upon the initiative of our Party, struck down with an iron fist the enemy trying to wreak havoc in public provisioning, and also passed a series of inclusive economic measures to assure undisturbed public provisioning. It is known that as a result of these measures we succeeded in satisfactorily solving the sugar and fine flour supply and, with measures executed in other fields, we created order, in the main, in the supply of a few other important foods. But it would be a mistake if we were to resign and fool ourselves into believing that we had solved the question of public provisioning with the measures already taken. It is obvious that still further efforts are needed to solve the question of our public supplies, first and foremost along the line of increasing agricultural and industrial production—in fact, not only agricultural and industrial production in general but decisively by means of the further increase of commodity production in agriculture and industry. In addition to this, we have to keep our powder dry and must strike out ruthlessly with multiplied strength against the enemies of our people, who—this we must foresee—will attempt to go over to the offensive again and again against our public provisioning and our People's Democracy.

The purpose of the measures already passed, and those still to be passed, in the field of public supplies is the undisturbed provision of the working people and their families with the most important articles of food and other commodities; also the assuring of considerable State reserves, because this is an indispensable condition of planned economy, and the furnishing of the necessary supply of goods for our foreign trade turnover, although we shall substitute more and more in the course of our Five-Year Plan the export of machinery for the export of food.

FOREIGN TRADE

Our foreign trade, in spite of the hostile measures taken by the imperialists, in general solved the tasks facing it in the first year of the Five-Year Plan: it assured the raw materials for our industry which, for the time being, can only be obtained from abroad, the industrial equipment and machinery for our investments, etc. A decisive role was played in this by the system of the new type economic relationship between the Soviet

Union and the countries of People's Democracy which accelerated, and is accelerating, the industrialisation of the people's democratic countries—among them also Hungary—to assure the raw materials which they lack, the industrial equipment and machinery needed for the development of their economies to an increased degree through trading with one another.

The Council of Mutual Economic Aid, the participants of which all enjoy equal rights and in which the Hungarian People's Republic also participates, signifies in principle a new order of the economic ties between countries. Such a new system of economic ties could only be brought about between the Soviet Union, marching towards communism, and the countries building socialism by the way of People's Democracy. In foreign trade and economic relations generally in the capitalist-imperialist countries the stronger lays down the law. The law of these ties is the law of the jungle! This means that the stronger beast of prey devours the weaker ones. The effect of this rapacious imperialist law is clearly evident in those capitalist countries which share in the notorious Marshall Aid and which receive the same support from the American and other imperialist Powers as the rope supports the hanged man. As opposed to this, the new relation which materialised through the Council of Mutual Economic Aid between the Soviet Union and the countries of People's Democracy is really based upon mutual assistance. Its essence is the solidarity of the free peoples, taking into consideration each other's mutual interests and, also, that the stronger assists the weaker. But perhaps it is unnecessary to underline in particular that although we speak about mutual assistance, it is primarily the great Soviet Union which helps all of us, which is assisting all the countries of People's Democracy. Without this unselfish assistance one could not speak about a new life, about building socialism either in Hungary or the other countries of People's Democracy.

We naturally want to maintain foreign trade relations not only with the Soviet Union and the countries of the People's Democracy, but with the capitalist countries as well. We trade with the capitalist countries as long as this trade is beneficial for our country and does not infringe upon the principle of equal rights. It is the capitalist countries which, primarily under pressure from American imperialists, are increasingly withdrawing from trade with us, although this attitude is more detrimental for these countries than it is for us. It is therefore not surprising that while our foreign trade increased in its entirety by over 13 per cent. in 1950, our foreign trade with the capitalist countries decreased not only relatively but in absolute value as well. Independently of this, as we have seen, our economy advanced quite satisfactorily while production in the majority of the capitalist countries, which place the most varied obstacles in the way of foreign trade with the Soviet Union and the People's Democracies, is marking time or has even retrogressed.

INVESTMENTS

The *shaping of investments* in our economy is an extremely important question from the point of view of our People's Democracy building socialism, because it is through this that the rate of socialist accumulation can be measured in our country. We invested a considerably larger amount in 1950 than was allocated for this year under the Five-Year Plan. The value of actual total investments in the economy in 1950 surpassed the sum of the 1949 investments by 67.4 per cent. Our economy overfulfilled in 1950 the plan of investments, raised in the meantime by 12.5 per cent. *During a single year, we invested more than* 10,000 *million forints in our economy.* More than 90 per cent. of investments to develop the manufacturing industry were used for heavy industry, which corresponds to the requirement of socialist industrialisation. But huge sums were allocated for agriculture, transport, light industry and socialist trade as well. Through our investments we developed to a significant degree our network of schools and cultural institutions, and increased the number of establishments serving the social and health needs of the working people.

LIVING STANDARDS OF THE PEOPLE

The living standard of our people increased faster in the first year of the Five-Year Plan than prescribed. This was expressed, among other things, in the fact that the wage fund of those employed in the manufacturing industry—that is, the wages paid in forints of all those employed in the entire manufacturing industry—increased by 37.6 per cent. in one year, not counting different benefits. But the average wage also increased considerably. Thus, while the average wage in the manufacturing industry was 708 forints in December, 1949, this increased to 767 forints by December, 1950. During one single year, in 1950, the number of people employed increased by 232,000 as compared with 1949, and, out of this, the manufacturing industry and building industry accounted for a round figure of 195,000. The rise in the living standard of the working peasantry was especially significant, as proved by the census of representative household statistics of the Central Statistical Office. According to these figures, the working peasantry saved an average of 756 forints in cash per family in 1950. The same statistics also show that our working peasantry spent considerably more on clothing, furniture and culture in 1950 than in the preceding year.

Those greatly increased amounts which our State spent on the technical education of workers, employees and peasants, paid holidays, the satisfaction of the cultural needs of our people, for rural electrification, contributed a great deal to the rise in the living standard of the working people and their families.

NATIONAL INCOME

The pattern of the national income clearly shows the results achieved in the first year of the Five-Year Plan in the field of the socialist construction

of the economy. National income, that is, the total new values produced in our economy, was approximately 20 per cent. higher in 1950 than in the preceding year. This is almost one-third of that increase which the Five-Year Economic Plan prescribes for the period of 1950-54. Under Horthy fascism, the national income of the country rose by only 12.6 per cent. during 15 years, from 1924, that is, the stabilisation of the currency after the First World War, until 1939. Hence the yearly increase did not even reach 1 per cent. The rate of increase in the national income in the first year of our Five-Year Plan, therefore, was twenty-fourfold that of the average yearly increase under the Horthy regime.

Already in 1949, the last year of the Three-Year Plan, close to 80 per cent. of the national income was derived from that section of our economy where there is no exploitation—the socialist sector of our economy and the small commodity producers, working peasants and handicraftsmen not employing outside labour—while the share of the capitalist sector in the national income was somewhat above 20 per cent. *In the first year of the Five-Year Plan*, the ratio further shifted to the benefit of the working people because, in 1950 the share of the socialist sector in the national income and *of those not exploiting outside labour rose to 91 per cent., while the share of the capitalist sector decreased to 9 per cent.* The share of the socialist sector of our economy in the national income during this same period increased from 53.8 per cent. to almost 70 per cent. The share of socialist industry in that part of the national income deriving from industry as a whole increased, during one year, from 77.5 per cent. to 91.4 per cent., while the share of the capitalist elements decreased from 18.5 per cent. to 4.3 per cent. In 1949, industry's share in the national income surpassed that of agriculture by 77 per cent., while in 1950 it surpassed it by 124 per cent.

What do these figures show? They show, above all, that our economy is capable of a significant socialist accumulation and is effectively realising it. They show that the *national income is actually becoming, to an ever-increasing extent, the income of the nation, of the people*, and that share of the national income which is going to the capitalist sector is ever more shrinking.

On the other hand, on examining the development of our economy in 1950, we must state that the burden of the socialist industrialisation of the country is predominantly borne by industry. The fact is, that in the course of 1950, our State gave much more in the form of machines, building loans, low-price seed, advantages through the machine stations, etc., to agriculture than it received back from agriculture. In 1950 our State gave to agriculture for various purposes, a round sum of 4,130 million forints, but received in return only 2,578 million forints. Although it is understandable that *our State is making serious sacrifices in the interest of developing agriculture and will continue to do so in the future, yet one cannot consider right and just the very uneven division of the burdens of industrialisation between industry and agriculture* that prevails at the present time.

SHORTCOMINGS IN OUR ECONOMIC WORK

In spite of the very great development which characterises our economy, we must mention a series of shortcomings which relate not to one or other specific section of our economy but to its entirety, or at least to a considerable part thereof. The most important of these shortcomings are: *the still loose State and community discipline, and the improving, but by far not sufficiently firm, work discipline; the absence of systematic organised economy, up to recently; the insufficient utilisation of industrial equipment and machinery at our disposal, squandering of raw material in production and, generally, a relatively low degree of organisation in our factories; the blurring of individual responsibility in leadership*, frequent organisation and reorganisation which incurs a lot of unnecessary expense and disturbs the continuity of work; aggravating the shortage of leading cadres and, generally, that of skilled labour power, by their frequent and bad utilisation; the over-growth of *bureaucracy* in our economic bodies, *the weakness of criticism, and self-criticism*, insufficient encouragement and utilisation of the proposals and initiative of the workers which facilitates the undermining activities of the enemy against the economy of the People's Democracy.

All the mistakes and shortcomings discernible in our economic work and in our economy, however, do not in the least alter the fundamental fact which the results of the first year of our Five-Year Plan prove as clear as day; we are successfully laying the foundations of socialism in our country, we are successfully building a socialist economy—in fact, the figures also prove that the pace of the socialist construction of our economy is much faster than we ourselves had supposed a year ago. This conclusion especially applies to our socialist manufacturing industry which in one year realised 40.6 per cent. of the increase in production prescribed for five years.

HIDDEN RESERVES

Our results achieved in the first year of the Five-Year Plan also show that *to some extent we underestimated our own possibilities*, the possibilities of the economy of the People's Democracy in the transition from capitalism to socialism. We did not clearly see the magnitude of the hidden reserves in our economy which we succeeded in uncovering during last year by a more thorough surveying, the improvement of our planning, more correct organisation, the aid of *socialist competition and the Stakhanov movement*. But even these hidden reserves are far from being exhausted and are not fixed once and for all, but are again and again reproduced in the course of our development, in the course of the socialist construction of our economy.

ASSISTANCE OF THE SOVIET UNION

Of decisive importance in the increase of the pace of our development, in the successes of the socialist construction of our economy, is the *many-sided, friendly assistance of the great Soviet Union, the ever more consistent utilisation of Soviet experiences in our country, the Soviet technical and scientific assistance given to our economy ;* the advice and the transmission of experience of Soviet scientists, engineers and technicians, the visit of the most outstanding Soviet Stakhanovites to our country who willingly acquainted the Hungarian working people with their advanced, leading methods of work, and thus helped our working class to a tremendous extent in the mastering of socialist methods of work. The Soviet Union has also extended, and is continuing to extend, assistance of inestimable value to our heavy and light industry through the shipment of very important raw materials not to be found in our country; furthermore, heavy industrial equipment and various machinery, the supply of which raw materials and machinery the imperialists deny to us. The building of the Danube Iron Works, the complete reorganisation of our metallurgical plants, and the building of the Budapest underground railway would have been impossible for us but for the tremendous assistance of the Soviet Union and the Soviet people.

I am convinced that I speak in the name of our entire working people when I express from here, the platform of the Congress of the Hungarian Working People's Party, our thanks and eternal gratitude to our liberator, the Soviet Union triumphantly building communism, to the Soviet scientists, engineers and Stakhanovites and, above all, to the true friend of our people, to the great leader of the working people of the world, the wise teacher of all of us, our ardently beloved Stalin !

TRIBUTE TO THE WORKING CLASS AND THE PARTY

The results of the first year of the Five-Year Plan were not born by themselves. The results, besides the assistance and constant help of the Soviet Union, were achieved in difficult and persevering struggles waged by *our working class, our working people—under the leadership of the Party, under the leadership of Comrade Rakosi*—against our external and internal enemies, against the exploiting classes and their remnants. They fought for it in the unceasing struggle against the imperialists, the kulaks, clerical reaction and the traitorous Right-wing Social-Democrats. These inveterate enemies of our people did everything in their power to try to prevent and hamper the socialist construction of our economy, slacken the socialist discipline of the working class, the work discipline and State discipline of the People's Democracy, to shake the faith of our working people in their own strength and creative ability. Let us recall the wage and norm swindles, the infamous machinations against socialist competition and against the Stakhanovite movement which the Right-wing Social-Democrats, these traitorous agents of the imperialists, organised in united front with clerical reaction. Let us recall the attacks of the kulaks against harvesting, gathering and delivery of crops. Let us recall the repeated attacks of the enemies of our people against public provisioning of which we have already spoken.

The undermining activities and the attacks of the enemy were thwarted, however, even if he succeeded temporarily in achieving some results here and there. They were thwarted because *our Party followed Comrade Rakosi, our working class followed our great Party, and our working people followed our working class !* They were thwarted because our Party and working class has stood solidly on the front of socialist construction, because *socialist work competition* became a mass movement in our country, because the *Stakhanovite movement* is constantly gaining ground, because—to use Comrade *Stalin's* words—" in socialist work competition is expressed the practical, revolutionary *self-criticism* of the masses which leans upon the creative *initiative* of the working millions."

For the significant results achieved in the first year of the Five-Year Plan *thanks are due to our magnificent working class* which, in alliance with the working peasantry, under the leadership of our Party carried forward the cause of socialist construction of the economy !

The successes achieved in the socialist construction of our economy are, at the same time, the achievements of our struggle waged against the imperialist war-mongers, for the defence of *peace*. We can state that, even if only to a modest degree, we contributed with our economic results to the growth of the strength of the world-embracing mighty peace camp, to the strengthening of the world peace front whose leader and also staunchest bastion is the Socialist Soviet Union !

THE MAIN FEATURES OF THE AUGMENTED FIVE-YEAR ECONOMIC PLAN

The quickening of the development of our economy means that *we are able to fulfil the tasks outlined in the Five-Year Plan Law in the field of industry and transport within three to three and a half years. And if we make up for the lag evident in the development of our agriculture, then every possibility is at hand to fulfil all the tasks of our entire Five-Year Plan in four years or within an even shorter period.*

As you can see, the Five-Year Plan has failed, that is if the *New York Times* correspondent is to be believed who, commenting on Comrade Rakosi's report, wrote: " The General Secretary of the Communist Party announced that the Five-Year Plan had failed."

This means that opportunities have presented themselves to transform our country at an even more rapid pace than at present into a flourishing

socialist country, to make our homeland still stronger, to accelerate the pace of the advancement of our people, to raise the living standards of our people to a still greater extent than we originally visualised. In the interest of all this *it became necessary to reformulate our Five-Year Plan in such a manner as to place far greater tasks than the original ones before our country for the remaining four years, and which, at the same time, makes possible the elimination of shortcomings that have emerged in the development of our Plan during the fulfilment of the first year of our Five-Year Plan.*

We must amend the Five-Year Plan in such a way as to *accelerate the industrialisation of our country*, to accelerate, above all, the development of heavy industry, of the branches of industry manufacturing basic industrial materials, electric energy, machinery and the means of production in general. Because only thus can we further increase the production of our light industry, satisfy the manifold, rapidly growing needs of our people, to a greater degree than hitherto, and considerably raise the cultural level of our working class, our working peasantry and our entire people. Moreover, in order that our agriculture shall supply more grain, meat, lard, butter, milk, fruit, vegetables, and far more industrial raw materials for the provisioning of our people, it is also necessary, in addition to the unity of the small and middle-peasant holdings in large-scale farms through voluntary association, to supply considerably more machines, fertiliser, and high-quality seed to the village than envisaged in the original Five-Year Plan. It is also necessary for us to train, from the ranks of the working peasants, tens of thousands of agricultural specialists in order that we bring science and culture into the village at a quicker pace and to a larger degree than prescribed by our original Five-Year Plan.

When placing this task before us, we have to remember the teaching of Comrade *Stalin:* "An opposition party," says Comrade Stalin, "can issue slogans—I mean fundamental practical slogans of the movement—in order to carry them into effect after it comes into power. Nobody can accuse an opposition party of not carrying out its fundamental slogans immediately, for everybody knows that it is not the opposition party which is at the helm, but other parties. In the case of a ruling party, however, such as our Bolshevik Party is, the matter is entirely different. The slogans of such a party are not mere agitational slogans, but something much more, for they have the force of practical decision, the force of law."—*Stalin*, Vol. XII.

It is with this seriousness demanded by Comrade *Stalin*, with the feeling of responsibility of the governing Party, that we must set those tasks which we want to include in our augmented Five-Year Plan so that, on the basis of the decisions of the Congress of our Party, our new Five-Year Plan shall set the direction and pace of the socialist construction of the economy of our entire country in the next four years.

The results of the first year of our Five-Year Economic Plan, the more thorough knowledge of our economy and the upswing of socialist work competition, proved that the sums of capital investment for the period of the Five-Year Plan can be set much higher than we originally estimated and than established by the Five-Year Plan Law. But the experience of the past year did not only show that we could substantially increase the amount of our investments. It also showed that the requirements of our country and our economy are far greater than those incorporated in the original plan.

INCREASED INVESTMENTS

Examining our possibilities and needs, we arrived at the conclusion that—as already mentioned by Comrade *Rakosi—in place of the investments of around* 51,000 *million forints prescribed in the Five-Year Plan we can, and must, invest* 80-85 *thousand million forints in our economy from* 1950 *to* 1954. *In other words, we can, and must, raise the amount of capital investments prescribed by the Five-Year Plan Law by about* 65-70 *per cent.*

Out of the total capital investment of about 80-85 thousand million forints, we propose to allocate approximately 40,000 *million forints to manufacturing industry as against the* 21,300 *million forints prescribed by the Five-Year Plan Law.* Therefore, while we increased the sum total of investments by about 65 to 70 per cent. as against the amount set in the Plan Law, we increase the total amount of industrial investments by about 90 per cent. Out of approximately 40,000 million forints industrial investments, *we propose* 37-38 *thousand million forints for the development of heavy industry* as against the 18,300 million forints allocated for this purpose in the Five-Year Plan Law. That is, *we propose that the amount to be invested for the development of heavy industry shall be more than double that amount which the decision hitherto in effect, and our Plan Law, allocated for development of heavy industry.* At the same time, we propose to raise by approximately 13 to 14 per cent. the investments in *light industry.* The bulk of the investments of heavy industry will go to our iron metallurgy, machine industry, electric energy production, coal mining, chemical industry and the metallurgy of light metals—especially aluminium.

Such a distribution of the increased amount of investments expresses *the increased application of the Stalinist law of socialist industrialisation to the development of our economy.* It expresses that socialist industrialisation demands, above all, the rapid development of the branches of industry manufacturing the means of production—because only thus can the reorganisation of agriculture on a socialist basis be assured, the requirements of our national defence be provided, the abundance of consumer goods produced by both agriculture and industry and the raising of the living standard of our working people on firm foundations be realised at a faster pace in the coming years than to-day.

The fixing of investments at the amount of 80-85 thousand million forints and the realisation of this task is not only a realistic but a rather cautious estimate. As I have already mentioned, we

realised an investment in round figures of 10,000 million forints in 1950, the first year of the Five-Year Plan. But this does not mean that we should consider this task an easy one, that there is no need for a serious straining of our efforts for the realisation of this huge task. We must, however, not only ask greater effort and greater discipline of our people, but also certain sacrifices in the interest of laying the firm foundations of our future.

We ask from our working class, our working peasantry and our people that until our industry and agriculture pour forth, as a result of our huge investments, the most varied articles of consumption in huge quantities, they shall practice thrift in their private life. After all, these sacrifices will be repaid manifold in the later years of the Five-Year Plan. These sacrifices cannot even be compared with those huge sacrifices which the working class of the Soviet Union, the Soviet people, made for the creation of the socialist economy, for the destruction of the fascist barbarians, for the liberation of Europe, and not only the peoples of Europe, but all the working peoples of the world —therefore also for us.

DEVELOPMENT OF AGRICULTURE

Of the capital investments, proposed to be raised to 80-85 thousand million forints, we consider it necessary to invest 11,000 *million forints in our agriculture* as against the 8,000 million forints prescribed in the Five-Year Plan Law. We thus propose to increase the amount of investments in agriculture by approximately 40 per cent. Such a large increase in agricultural investments is necessary so that we shall be able to liquidate the backwardness of our agriculture, to provide it with new, modern machinery, including high-powered caterpillar ploughing tractors, commercial tractors, combines, lorries, various planting, sowing, reaping and loading machinery, a variety of artificial fertilisers, buildings, with all that is required for the construction of a modern, large-scale agriculture yielding an abundance of commodities and highly profitable.

Of course in addition to the 11,000 million forints directly invested in agriculture on the basis of the augmented Five-Year Plan, the share of agriculture will naturally increase by those investments which are not directly allocated for agriculture, but which actually serve the interests of agriculture of the working peasantry and the village population; the construction of new roads, the development of our communication and postal network in general, the establishment of village cultural homes and libraries, the increase in the number of special schools of agriculture and various courses, community planning, rural electrification, the extension of the network of health institutions to the village, the radical improvement of the veterinary service, etc.

TRANSPORT ALLOCATION

For the development of our transport, we propose to spend 10,000 million forints in round figures from the increased sums of investments as against the 7,500 million forints prescribed in the Five-Year Plan Law. Thus, the new allocation will surpass, by about 35 per cent., the sum allocated for the development of transport in the Five-Year Plan. The development of our transport on such a scale is made necessary by the accelerated pace of development of our entire economy. The development of transport must keep pace with the development of the entire economy which, of course, does not mean that investments in transport have to be increased in the same ratio as the rate of increase in the investments in the entire economy.

CONSTRUCTION

From the increased allocations of 80-85 thousand million forints, we propose to spend about 10,000 *million forints for the building of homes, community and town development and various cultural facilities* as against the 7,400 million forints allotted for these purposes in the Five-Year Plan Law. Thus the increase here also is approximately one-third.

For investments in the building industry, we propose to spend in round figures 3,000 *million forints*. This sum might seem a little exaggerated at first sight. However, we cannot forget that more than half of our investments consist of construction and that our building industry, although we have already spent several hundred million forints on it, is still considerably lagging behind our manufacturing industry from the point of view of the level of mechanisation. This is, for instance, demonstrated by the fact that in construction at present only 9 per cent. of excavation work is being done by machine and 91 per cent. by manual labour, while in civil engineering 28 per cent. is done by machine and 72 per cent. by manual labour.

TECHNICAL DEVELOPMENT AND SCIENTIFIC RESEARCH

In general, in order to be able to carry out our increased Five-Year Plan, we have to pay special attention to the *technical development* of our industry and transport, and of our entire productive machinery. We have to take particular care that we employ in our production the most modern processes, machines and equipment. Accordingly, our National Planning Bureau worked out the Five-Year Plan of technical development for the various branches of production, which was approved by the Council of Ministers of our People's Republic and thus became obligatory.

The bigger tasks contained in our enlarged Five-Year Plan also require that we spend several times the amount estimated in the original plan on *industrial and scientific research*, and that we create much closer bonds than exist at present between the work of men of practice and the men of science.

RESERVES

The experiences of the first year of the Five-Year Plan taught us that when planning investments relatively considerable *reserves* have to be assured to meet requirements arising in the course of

executing the plans. Unforeseen exigencies cannot always be avoided even with relatively good planning. We have to provide for such reserves in connection with the investments of our new, enlarged Five-Year Plan.

INCREASE IN PRODUCTIVITY

The very considerable increase of funds to be invested, and the increase in productivity, as well as the reduction of production costs, make it possible and, at the same time, necessary that in our reformulated Five-Year Plan *we accelerate the rise of production of industry much more vigorously than set forth in the Law of the Five-Year Plan.* It is known that the Five-Year Plan Law calls for an 86.4 per cent. increase of industrial production by the last year of the Plan period—that is, 1954—compared with the production values achieved in the last year of the Three-Year Plan, in 1949. Our calculations show that, taking into consideration the results achieved during the first year of the Five-Year Plan, the increase in capital investments and the already uncovered reserves, *we can raise the increase in our industrial production in* 1954, *as compared with* 1949, *from* 86.4 *to approximately* 200 *per cent.; we propose to increase the production of heavy industry by nearly* 280-290 *per cent. instead of the* 104.3 *per cent. set forth* in the Plan Law. In spite of the fact that we only proposed to increase the investments in our light industry, in the new Five-Year Plan, by 13-14 per cent. as compared with that prescribed in the Plan Law, *we propose an increase in the production of light industry in the last year of the Five-Year Plan, as compared with the last year of the Three-Year Plan, by about* 150 *per cent., instead of the* 72.9 *per cent. established in the Plan Law.* Such a large-scale increase in production of light industry is made possible by the fact that the uncovered reserves in this branch of our industry are especially great, also that new investments in light industry are bringing faster and relatively much greater returns than in heavy industry.

STRUCTURE OF INDUSTRY

As a result of the new Five-Year Plan, the *structure of our industry will change.* This will find expression in the fact that *by the end of the Five-Year Plan period the share of the branches of industry producing means of production will rise to approximately* 70 *per cent. of the total production value of industry, while in industry producing consumer goods,* in spite of the fact that, as we have already noted, its production will increase in absolute value by 150 per cent., its share in the production value of industry as a whole *will decrease to* 30 *per cent.* But the change in the structure of our large-scale industry also finds expression in the fact that *the production of the machine industry will, in* 1954, *supply approximately one-third of the total production value of industry as against the last year of the Three-Year Plan, when the output of the machine-building industry made up exactly one-fifth of total industrial production value.* These figures show vividly what a powerful step forward we are taking with our new Five-Year Plan on the road to industrialising our country.

AGRICULTURAL PRODUCTION

The value of agricultural production by the end of our Five-Year Plan, in 1954, *must surpass by at least* 50-55 *per cent. the value of agricultural production in* 1949 *as against the* 42.2 *per cent. increase envisaged in our Five-Year Plan Law.* We are estimating the increase of production values of crop cultivation and animal breeding in approximately the same measure, although we shall do everything in order that the increase in production value of animal breeding shall surpass that of crop cultivation. In spite of the tremendous rise in agricultural production, the ratio of agricultural production value compared with the value of industrial production will decrease, which is in conformity with the law of socialist industrialisation. Prior to the war, in 1938, the ratio of the output value of industry to agriculture was approximately 53 to 47 in favour of industry. This ratio will shift still further towards industry by 1954 and will be approximately 80 to 20.

INCREASED PRODUCTIVITY OF LABOUR

The increase in the productivity of labour is of special importance from the point of view of the successful realisation of our new Five-Year Plan and the socialist construction of our entire economy. Marxism-Leninism teaches that the new Five-Year Plan and the socialist construction of our social order, building Socialism, can only be finally consolidated if it is capable of realising a higher level of productivity of labour than capitalism.

The Law on the Five-Year Economic Plan prescribes, for large-scale industry, a 50 per cent. rise in the productivity of labour during five years. But we have already increased productivity of labour during the first year of our Five-Year Plan by 20 per cent., that is, *we accomplished in one year* 40 *per cent. of the task set by the Plan for five years.* The result accomplished in the first year of the Five-Year Plan in the field of productivity, together with the large increase in investments, the better organisation of production and a number of other circumstances, make it possible for us to estimate, in our *new, augmented Five-Year Plan the increase in productivity not at the original* 50 *per cent. but at about* 90-100 *per cent.—that is, we shall aim to about double the productivity of labour in our large-scale industry in five years.* At the same time, calculations show that the *decrease of production costs* of our industry must be estimated in essentially the same degree in the new Five-Year Plan as determined in the Five-Year Economic Plan Law at 25 per cent. In other words, we shall accomplish by the last year of the Five-Year Plan that we shall manufacture our industrial products approximately one-fourth cheaper than these same products cost us in the last year of the Three-Year Plan, in 1949.

MANPOWER REQUIREMENTS

The Law of the Five-Year Plan calls for the employment of 480,000 new workers and employees in our industry in five years. Yet almost half this number were put to work in the first year of the Five-Year Plan. It is obvious that in spite of the large-scale mechanisation of our industry, in

spite of the doubling of the productivity of labour, the 480,000 new workers and employees will not suffice industry during the five years. Calculations show that *our industry will actually need in the Five-Year Plan period approximately* 600-650,000 *new workers and employees, as Comrade Rakosi has already mentioned.*

MAIN REVISIONS IN ECONOMIC DEVELOPMENT

The tremendous change in the development of our economy due to the new augmented Five-Year Plan, can be clearly visualised through the development of a few important branches of production. Thus, for instance, our production of *pig iron* will increase from 398,000 tons in 1949 to about 1,300,000 tons in 1954; our *steel production* correspondingly must rise from 860,000 to nearly 2,200,000 tons.

In the last year of peace, in 1938, only 648,000 tons of steel were produced in Hungary. Therefore in 1954, according to our new, revised Five-Year Plan, steel production of our country will rise to close on three and a half times that of the pre-war Horthy Hungary, or to express it another way: in 1938 there was an average of 70 kilograms of steel *per capita* annually while in 1954 this will be 236 kilograms. We can measure through these figures the tremendous development represented by our new, revised Five-Year Plan for our country. *As a result of the new Five-Year Plan, our homeland will be transformed into a country of steel and iron, an industrial country, a country of machines.*

The production value of *heavy industry* must reach, by 1954, 55-56 thousand million forints, that is twice as great a value in round figures as estimated by our original Five-Year Plan for that year. According to our Five-Year Plan, we were to produce 18.5 million tons of *coal* in 1954. We propose in the new augmented Five-Year Plan the production of 27.5 million tons of coal by 1954. With regard to the production of *electric energy*, our Five-Year Plan sets the task of producing 4,200 million kilowatt hours of energy in 1954. We now propose to fix our production of electric energy, by the last year of the Five-Year Plan, at 6,000-6,500 million kilowatt hours, which means that our production of electric energy will be almost trebled compared with 1949. We propose to increase the production value of the *chemical industry* by 70 per cent. as compared with the level set forth in the Five-Year Plan, which means that in five years we shall quadruple the output of our chemical industry as against 1949. *The hardware industry*, the *mechanical precision industry*, the *high-voltage electrical industry*, and the *telecommunications industry* must approach in 1954, according to our new Plan, the production value of 12,000 million forints—that is, three times as much as estimated by our Five-Year Plan Law and five times the 1949 output of these branches of industry. Likewise, the production of our *building materials industry* will increase to a considerable degree: to almost fourfold of the 1949 level.

The assistance to be extended to agriculture is illustrated by the fact that we propose to give 26 to 28 thousand tractors to agriculture instead of the 22,800 tractors estimated in the Five-Year Plan Law, and the irrigated areas, utilising Soviet experiences, will be extended not by 118,000 *hold** as stated in the Five-Year Plan Law but by 323,000 *hold*, as a result of which our entire irrigated area will increase to around 370,000 *hold*, or eightfold the irrigated area of 1949. While in 1939 only six kilograms of artificial fertiliser were employed per *hold* of arable land, in the last year of our Three-Year Plan, 1949, 12 kilograms were used—in 1954, last Five-Year Plan year, there will be 73 kilograms of artificial fertilisers per *hold* of arable land.

INCREASE IN NATIONAL INCOME

In consequence of the much larger increase of industrial and agricultural production than originally planned, the approximately twofold increase in the productivity of labour and 80-85 thousand million forints of capital investments and the new factories, plants and mines entering into production, the *national income of our country* will develop considerably faster than estimated by the Five-Year Plan Law. The Five-Year Plan Law sets the target for the increase of the national income during the years 1950-54, so that by 1954 it will reach 163 per cent. of the 1949 national income, an increase during five years of 63 per cent. Our national income, however, increased during the first Five-Year Plan year by about 20 per cent., hence—as I previously mentioned—we accomplished in one year almost one-third of the task set for five years. Considering the facts mentioned and carefully examining our possibilities and the anticipated development of our economy, we propose that we *shall plan our national income at about* 120-140 *per cent. higher for* 1954, *the last year of our Five-Year Plan, as compared with* 1949. *Within this, the share of industry in the national income shall increase from* 51 *per cent. in the year* 1949 *to* 64-65 *per cent. The share of the capitalist sector in the national income will shrink from the* 20 *per cent. of* 1949 *to* 1-2 *per cent.*

Such a structural change of the national income of our country, on the one hand, reflects the fact that our *industrial development is considerably accelerating and, on the other hand, shows that by the end of the Five-Year Plan in our country, the exploitation of man by man will essentially be ended in all fields of the economy.*

RISE IN LIVING STANDARDS

As a result of our new, increased Five-Year Plan, the living standard of our people will rise to a much greater extent than set forth in our original Five-Year Plan. It is known that our Five-Year Plan Law prescribes for the five-year plan period—that is for the years 1950-54—an increase of 35 per cent. in the living standard. As a result of increasing investments by about 65-70 per cent. the almost doubled productivity of labour and, compared to the original estimate, considerably increased national income, we propose *to raise the living standard of our people by about* 50-55 *per cent. in our new augmented Five-Year Plan. This*

* 1 hold = 1.4 acres.

means that the living standard of our people will rise during the Five-Year Plan period to at least one and a half times.

The one and a half-fold rise in the living standard will primarily be expressed *in a considerable* per capita *increase in the consumption of diverse consumer goods as compared with both* 1949 *and* 1950. Compared with 1950, for example, average *per capita* consumption in 1954 will be 45 per cent. higher in milk, 30-35 per cent. higher in sugar, 25 per cent. in fats, 50-60 per cent. in shoes. The share of books per person will double during the same period.

SOCIAL SERVICES

As a result of the new Five-Year Plan, *social insurance* and the care of the *people's health* in our country will develop tremendously. The number of those insured will rise from 3.3 million persons in 1949 to 6.7 million, that is more than double by 1954, the end of the Five-Year Plan. This means that approximately 70 per cent. of the population of the country will enjoy the benefits of social insurance. This increase is of special significance as far as the rural population is concerned, as the proportion of insured employed in agriculture will rise from 3 per cent. in 1949 to 37 per cent. The huge increase of those covered by insurance demands the considerable enlargement of the network of medical centres. We are envisaging here an increase of about 90-95 per cent. by 1954 compared with 1949. To improve the health care of the agricultural population, we shall construct approximately 350 to 360 new rural medical centres. In order to ensure healthy working conditions for the workers of the factories—taking as our yardstick the much higher Soviet standards—we shall double the capacity of factory washrooms, showers, dressing rooms and other factory health facilities compared with 1949, with the investment of about 400 million forints. The number of cribs in the creches will be five times higher in 1954 than they were in 1949.

CULTURAL PLANS

Indicative of the accelerated rate of our cultural rise is that according to our new augmented Five-Year Plan we are investing 1,700 million forints for the construction and development of universities, colleges, academies, industrial and agricultural technical schools, secondary schools and institutions for industrial apprentices: several times as much as set forth by our Five-Year Plan Law for this purpose. In addition to four technical universities, a new big agricultural university will also be built in Gödöllő. We shall expend during five years a total of 1,700 million forints on scientific research; close to 800 million forints of this huge amount will be investment. 2,500 cultural centres will function in our country by the end of the Five-Year Plan, that is approximately five times more than in 1950. Out of the 2,500 cultural centres which will be operating in 1954, 1,850 will be in villages.

IMPROVED COMMUNICATIONS

The radical improvement of our *network of roads* and the realisation of our huge programme of road construction is of extreme importance for the rural population. We shall construct, that is, according to our new augmented Five-Year Plan, a new network of roads 2,600 kilometres in length during the Five-Year Plan. The development of our network of industrial railways will also definitely serve the interests of the rural population. According to the new Five-Year Plan, we shall develop our industrial railways into a unified network structurally connected with our main-line railways. All this will make the towns easily accessible to the rural population during any season of the year and will facilitate also the goods traffic between town and village.

BUILDING

Our Five-Year Plan Law prescribes the construction of 180,000 new homes, of which 90,000 will be in towns and 90,000 in villages. We propose the construction of 220,000 new homes in our new augmented Five-Year Plan, with the proviso that the ratio between town and village shall remain unchanged.

Rather than give figures for the development of the entire country, we can perhaps better illustrate the gigantic transformation our country will undergo on the basis of the new Five-Year Plan if we pick out at random a few villages and towns and examine what benefits they will receive during the Five-Year Plan. For instance, Salgótarján will get 800 new flats, one new 400-bed hospital, two general schools and one cultural house. Gödöllő will receive 200 new homes, a new agricultural university, one new secondary school, one new cultural house, a new medical centre, a new beach and swimming pool. Szigetszentmiklós will have 1,900 new flats, a workers' hostel for 500, three new general schools, one first-aid centre, two crèches, four new nurseries, one new cultural house, one new maternity home, one beach and one public baths, one new sports stadium and a new dispensary.

Várpalota will get, among others, 1,450 new homes, one new maternity home, one day-nursery, one crèche, one new first-aid centre, one new school and one new cultural house. Tatabánya will receive 1,630 new homes, one new medical centre, three new nurseries, four new crèches, one new cultural house, one new technical school, two general schools, one sports stadium, one new baths, a dispensary, etc. One could thus enumerate for hours and hours in reference to every town and community of the country. I purposely omitted from the enumeration the beautiful capital of our country, Budapest, which we never forget. I omitted our second largest industrial and cultural centre, the already rapidly developing Miskolc and our larger towns in general, because there just is not enough time to enumerate all that our new, revised Five-Year Plan will bring to the capital of our country and our large provincial towns. I did not speak about our new socialist towns one of which, Dunapentele, is already under construction at full speed.

A PLAN FOR PEACE

I believe that what I have said shows conclusively that *our new, revised Five-Year Plan will make our country richer and stronger, our people more prosperous and educated, will change our homeland into a developed, industrial country and, at the same time, into a country with a flourishing agriculture. But the aforesaid also shows that our new augmented Five-Year Plan, to an even greater extent than our original Five-Year Plan, is a plan for building peace, a plan for the consolidation of the Hungarian sector of the peace front.*

It is well worth working, fighting and also sacrificing for the magnificent aims set forth in our new augmented Five-Year Plan, for the realisation of these lofty, grandiose tasks serving the more rapid advancement of our entire people and the strengthening of peace. We are, therefore, certain that our Congress will endorse our new augmented Five-Year Plan; and we are also certain that our working class, working peasantry and intelligentsia will participate with still greater devotion in the execution of the new Five-Year Plan than the diligence and enthusiasm they have so far displayed in the work of building the country. I am also convinced of this because, as Comrade *Stalin* said, we are *the plan; the workers, the working peasants, the millions of our people who consider the plan their own and who will ensure, under the leadership of our Party and Comrade Rakosi, the complete fulfilment of our new Five-Year Plan.*

REALISATION OF THE PLAN

When working out our 1951 economic plan we took into consideration those new possibilities which have come to the surface from the results, shortcomings and experiences of the year 1950 and naturally we also considered the increased needs of our country. For this reason, the Central Committee of our Party and the Council of Ministers of our People's Republic set the tasks for the second year of our Five-Year Plan so that they should correspond to the contours of the new augmented Five-Year Plan which is unfolding before us. We must call the attention of our Party, our working class, our working people to this in order that we clearly see the magnitude of the tasks to be realised in the current year.

The realisation of the plan set for the second year of the Five-Year Plan period—that is, the current year—demands far greater effort, a higher degree of organisation, a more purposeful and more planned utilisation of all the means at our disposal than accomplished during the past year. It demands the further development of socialist competition, the innovator and Stakhanovite movement. It demands that our great Party, the organisations of our Party, shall concern themselves much more decisively than hitherto with production and become the driving force for the fulfilment and overfulfilment of the economic plan laid down for 1951.

There is no doubt that if we buckle down to the job, if every Communist will march in the forefront of production, if our Party organisations and Party committees will continue to place the question of production in the centre of their work and if they are more closely welded together with the millions of non-Party working people in the town, industrial plants and villages, and success does not go to their heads, then we shall not only fulfil our 1951 Plan, considerably more difficult than that of 1950, but will even overfulfil it.

NEW CONDITIONS OF SOCIALIST ECONOMIC CONSTRUCTION

We have to realise our modified and augmented Five-Year Economic Plan in many respects under new conditions which place also *new and greater demands* upon our Party, our Government, our working class and our working people.

LABOUR FORCE

One of the most important new tasks with which we must wrestle is the *question of labour power* so indispensably needed for the development of our economy. Such a question does not exist in the capitalist countries and was naturally unknown in the Hungary of the big capitalists and landowners.

"*There always was unemployment and always will be*", stated the official book published by the Statistical Bureau of Budapest during the time of Horthy fascism. "*There is overproduction in the intellectual professions. Such a dislocation came about in the division of the wage-earning classes that the directly producing social strata cannot provide for the extremely overcrowded intellectual camp*", we read in another publication of the same Statistical Bureau of Budapest.

The Statistical Bureau of Horthy was right to the extent that there always was and always will be unemployment in the capitalist system, there always was and always will be "overproduction" in the intellectual professions. In order to do away with unemployment, capitalism had to be overthrown in Hungary and the socialist construction of the economy started on the road of People's Democracy.

But our People's Democracy, of course, could not liquidate unemployment, this evil heritage of the capitalist economic system, overnight. This required a certain time, even if not a very long time. It was necessary for our working class, our working people, to become indeed the masters of the country, to take the direction of the economy into their hands and march forward, under the leadership of our Party, on the road of socialist economic construction.

That is why *during our Three-Year Plan, and even in the first half-year of our Five-Year Plan,* we had

the problem of how to employ to a full extent the labour power at our disposal.

At present and in the coming years, on the other hand, the question of how to secure the necessary labour power for our industrial plants, construction, transportation and, in the busy season in agriculture, will be one of the most difficult ones to solve.

At the beginning of our Five-Year Plan, the planned management of labour power was scarcely a problem for us because the workers appeared by themselves at the plants, factories, construction sites, etc.

At present and in the coming years we will not be able to realise the increased tasks before us without organised, planned and resolute management of labour power because *we have irrevocably put an end in our country to the cursed heritage of the capitalist system: unemployment*. Thanks to the People's Democracy building socialism, the whip of hunger no longer drives tens of thousands of unemployed towards the factories as during the time of Horthy fascism, when the huge throngs of the city unemployed were swollen by the tens of thousands of those who, driven by hunger and misery, fled from the villages into the towns. Thanks to our People's Democracy there is no hunger to-day in the Hungarian village and the "flight" from village to town has ceased.

The liquidation of unemployment is one of the greatest achievements of our People's Democracy. At the same time, however, when we finally put an end to unemployment we must secure the necessary labour power for our economy.

We cannot, therefore, in the new situation, base our calculations on the fact that the labour force will continue to stream by itself to our factories and construction sites because, together with unemployment, this spontaneous streaming of the labour force to the places of work also ceased. Therefore, if we want to assure the necessary labour force for our economy, we must go over to the *organised recruitment and planned distribution of the labour force*. This is no easy task in the present situation. It is not easy because agriculture, in which we still have considerable labour reserves, is split up, our agricultural level of production is still low, because such processes of agricultural production which have to be finished within a relatively short time and which require considerable labour—as, for instance, the work of the harvest—are only mechanised to a minor extent in our country. It might be known that even two years ago we were obliged to forbid the use of harvesting machines outside of State farms in order that the agricultural labourers should not be left without work. Besides this, our Local Councils, upon whom the task of recruiting labour falls to a large extent, are still young and do not possess experience in this field.

This question of the labour force presents itself with full weight in the current year of 1951, because already during this year we must secure for our economy an additional labour force of approximately a quarter of a million.

TECHNICAL TRAINING

Besides the organised recruitment of the labour force, increased attention must be paid to the *training of skilled workers*, partly from the youth and partly through *retraining and the introduction of the system of minimum technical standards.*

As far as the training of skilled workers from among youth is concerned, we placed this, as is well known, on entirely new foundations, utilising Soviet experiences. The old handicraft apprentice training was replaced by industrial apprentice training. We constructed and equipped a whole series of new apprentice shops and industrial apprentice homes. We supplied our industrial apprentices with work clothes and uniforms, and provided for their cultural development also. Before, as long as apprentice training had a handicraft character, the decisive crafts were those in light industry, tailor, shoemaker, etc. At present the decisive crafts have become those in heavy industry, in the machine and building industries. In 1951, we shall already have 57,000 industrial apprentices of whom 22,000 will be placed in apprentice shops and about 20,000 in apprentice homes, and all of them will be provided with uniforms. Besides our significant successes in the field of industrial apprentice training, we must not gloss over a serious deficiency: there are few girls among our industrial apprentices. We did not reach the 30 per cent. quota set for 1950 for the first-year apprentices, we only reached 22 per cent.—and the lagging behind in this field is especially noticeable in the metal industry.

The retraining of unskilled and semi-skilled workers into skilled workers started in relatively significant proportions in our country. The trouble, however, is that our production ministries do not pay the necessary attention to this question, do not always supply the required instructors, do not provide for the proper selection of retrainees, and it often happens that they do not provide the retrained workers with skilled jobs corresponding to their training. This leads to a considerable dropping out in the retraining courses and, at the same time, indicates that we are still managing the labour power at our disposal rather badly.

We are beginning to introduce the system of *minimum technical standards this yrar*. Its essence is that he who passes an examination of a certain defined minimum of technical knowledge is entitled to higher grading, thus higher income. In this way, unskilled and semi-skilled workers can be reclassified in large numbers as skilled workers, while skilled workers can be reclassified from lower categories into higher ones. The directors of production, the economic leaders, must be ooliged to give work of a higher grading to those who pass the minimum technical examination because this is in the interest of our economy and, at the same time, the individual interest of those who pass the examination.

When assuring the necessary labour force for our economy, we must also see that the *number of skilled workers shall increase more rapidly than the total number employed.* In this field signs are still unfavourable in a number of large plants.

Thus, in the Csepel Mátyás Rákosi Works, for example, 39.6 per cent. of all workers were skilled workers in 1949, whereas in 1950 only 33.8 per cent. were skilled.

We must pay increased attention to the *supplying of our newly erected plants with the necessary labour force.* This force must be trained in part during construction from among the workers—according to Soviet experience—participating in the construction and partly assured from other sources beforehand. The assuring on time of the labour force and cadres for our newly built plants is assuming ever greater significance in our economy because more and more new plants will be completed in the coming years, and it is extremely important that the reaching of full capacity production in the new plants shall be as rapid as possible and that we avoid infantile disorders that are frequent at the starting of new plants.

Basically the following sources are at our disposal for assuring the increased labour force needs of our economy: (1) *youth entering production;* (2) *the labour reserves of the village;* (3) *the drawing of women into production on a large scale;* (4) *the redirection of labour from private handicraft and private trade into socialist industry;* (5) *better management of the already employed labour force;* (6) *increased mechanisation of those production processes that have an especially high requirement of labour power.*

In so far as *youth entering production is concerned,* it is obvious that their number is not sufficient by far to cover the labour requirements of our economy. After all, as I mentioned, we have to put a new labour force of close on 250,000 to work this year and the youth now maturing can, at best, supply only one-third of this. An additional reason why youth cannot satisfy fully the labour force requirements of our economy is that, at present, a far larger fraction of our youth are continuing with their studies than in the old Hungary.

The village labour reserves are potentially very large, but because of the scattered character of agricultural production and the still insufficient mechanisation of agriculture, these reserves can be brought to bear on the situation in our industry only in part this year and in the next one to two years. However, we are mechanising our agriculture at an increased tempo and this enables us to ask our working peasantry to supply our industry and construction sites with workers in greater numbers; to make it possible for their sons and daughters to take jobs in industry and acquire skilled training because this is useful not only to our economy but also to the working peasantry and to the working peasant youth.

WOMEN IN INDUSTRY

With regard to drawing women into production, we have taken significant steps forward since the Liberation of our country. The proportion of women in our entire industry during the past year was 26.6 per cent. In spite of this advance, however, we cannot be satisfied with the place women occupy in production. In general, experience shows that there is quite a strong conservatism toward the drawing in of women into production and particularly toward utilising them for skilled work. This is especially noticeable in certain branches of the metal and machine industry and agricultural machine stations where the proportion of women workers is impermissibly low.

I believe that the Congress agrees that this situation be remedied as soon as possible. Not only because our economy needs women workers—skilled workers in the first place—but also because, according to experience, women stand their ground very well on most jobs and, in some fields, better than men.

The drawing of women into production on a mass scale and to training and retraining a considerable number into skilled workers is not only in the interest of the economy, *is not only an important source of assuring the labour force so necessary for us, but at the same time the road to the economic, political and cultural advancement and the complete realisation of the equal rights of women.*

There is a quite considerable labour reserve in the *private retail trade and private handicraft* which we must also utilise. We must ease the way, by all means, for those who want to transfer from private retail trade and private handicraft into socialist production. We must assure the possibility of retraining for them; we must remove the difficulties at times impeding this transfer.

MANAGEMENT OF LABOUR FORCE

An important source of supplying the necessary labour force for our economy is the correct management of the labour force. I have already said that we do not always act correctly in the management of labour force. Among other things, the fact that in our plants and economic organs *the number of administrative and auxiliary personnel became greatly inflated* points to an incorrect management of the labour force. For instance, in 1950 the number of workers in our industry increased by 12 per cent. and that of the administrative personnel by 16.6 per cent. This entails not only the disadvantage that labour power is withdrawn from production but also that the inflation of the number of administrative and auxiliary personnel increases bureaucracy and renders more difficult the correct leadership of the economy, hence it finally retards and hampers production. It breeds bureaucracy because—as the saying goes—" office desks make work for themselves."

The exaggerated growth of the distributive apparatus of our wholesale trade also points to the incorrect management of the labour force to which we must definitely put a stop.

Although it may appear strange, it is a fact that while we are talking about labour shortage there is still an unused labour force of quite considerable volume in several plants and enterprises. The managers of the enterprises are holding this reserve in case they need it later when securing the necessary additional labour force may be difficult. Such an attitude is impermissible in our economy building

socialism, it is directed against the interests of the State and injures the economy and socialism. For this reason, we must put an end to this harmful phenomenon and direct the released labour force to where it is needed.

MECHANISATION OF WORK PROCESSES

In meeting the labour power requirements, considerable help will derive from the fact that in our economy *we shall mechanise the work processes demanding a large amount of manual labour to a much greater extent than prescribed in the original Five-Year Plan;* excavation works, the cutting, loading and transportation in mining, and, in general, in the transport of materials in our entire economy; harvesting and crop gathering in agriculture, and also forestry, because we can thus release tens of thousands of working people for other work, and at the same time we can place them to work on machines requiring a higher technical skill.

Although this is not exclusively a question of labour management, we must mention here that the squeezing out and partial liquidation of the exploiting classes has created in our towns—primarily in Budapest—a certain stratum which is unwilling to participate with honest work in production and construction. Quite a large number of these remnants of the exploiting classes, the various declassed elements, are not participating in production. These elements interfere with the healthy growth of our economy through their speculations, their sabotage against our public provisioning, and the spreading of sundry slanders and lies of the imperialists against our People's Democracy. It is clear that we must put a stop to this state of affairs with definite measures and ensure that these elements should abandon speculation and get down to productive work.

The planned increase of productivity of labour is an inexhaustible source of covering the deficit of labour power in production. This is a continually operating law of building socialism in our People's Democracy. This, as we have seen, must be assured by our investments growing at an increased pace, the raising of the technical level of the workers and toilers in general, mastering and application of the advanced Soviet production methods in an ever more planned manner, the improvement of the organisation and technical direction of production and the extension of socialist competition.

WAGES AND CONDITIONS

The other important question upon which we must focus attention from the point of view of the new conditions characterising the development of the economy is the question of wages. This is closely linked up with the previous question, that of labour power.

Already last year we carried out important reforms, upon the initiative of our Party, on the question of wages. We introduced the piece-rate system, which is more easily grasped and better stimulates production. We carried out norm adjustments and at the same time raised the basic wage. We changed the hitherto unhealthy and unjust ratio between the wage level of workers in certain industries, considerably improved the wage status of miners and metallurgical workers, as well as those of a few other industries and advanced them in relation to those employed in other branches of production.

These measures were correct and their favourable effect is already being felt. Yet we still did not complete the development of a wage system suitable for the economy of a People's Democracy building Socialism. We have to proceed further on the road taken. We must put an end to the double methods of time-payment, still practiced at present, one of which is called the "index number system." The index number system is in reality a time-wage system in disguised form. All those working on the index-number system who can be transferred, on the basis of their work, to the system of piece rate, must be transferred. Those, on the other hand, whose work does not make this possible must be transferred to the time-rate system and thus a uniform time-rate system must be established. Simultaneously, a premium system stimulating production must be introduced for those working on time rates.

In addition to the above, we have to increase in the field of wages the differential between pay for skilled and unskilled work, and must *liquidate all remnants of equalitarianism in our wage system* and thus stimulate ever more workers to study, to master technical knowledge, at the same time raising the productivity of labour.

Besides other measures, we must see to it, with the aid of our wage system and our wage policies, that we end, or at least reduce to a minimum, the aimless migration of labour which, since unemployment ceased in our country, increasingly disturbs our production. The fluctuation of labour is especially great in the textile and building industries.

Over and above the measures introduced so far, we have to initiate a whole series of such measures which are suitable to put an end to these irregularities. Our socialist wage system and wage policy must assist *the formation of a permanent core* of workers who love their plant, their enterprise, cling to it and would not leave it under any circumstances of their own free will or initiative. The various special benefits and payments, and the building of homes, must be aimed towards the same end. Moreover, we must see, to a much larger degree than hitherto, that especially those plants which employ a large number of women workers be provided with a broad network of children's institutions; that the plants shall have a crèche, a nursery, that there shall be an infants' school in the vicinity, that we assure holidays for the children of the women employed in the plant, etc. In our new revised economic Five-Year Plan, we must increase the sums allocated for such purposes in the original Five-Year Plan to a considerable extent, and the large plants must be enabled to establish such institutions themselves.

LEADERSHIP IN INDUSTRY

The third very important question which we must put forward in a new manner, considering the changed conditions in the midst of which our economy is developing, is the question of technical and economic cadres.

During our *Three-Year Plan*, and even in the first year of our Five-Year Plan, the task mainly consisted of the restoration and further development of that production machinery which we inherited from capitalism, albeit in a very decrepit condition.

At present and in the years to come, the task is decisively one to establish new huge plants; to put them into operation; to make full use of the technical possibilities they contain and, at the same time, to reconstruct a series of our large plants—primarily metallurgical plants, machine factories, electric power plants and mines—and, simultaneously, through greater and lesser investments and better organisational work, to secure several times more production out of the old equipment and plants than when they were in the hands of the capitalists. At present, it is necessary to pursue consistently the adaptation which has scarcely begun in the first year of the Five-Year Plan in our building industry, towards a large-scale, mechanised, completely up-to-date industry instead of the still partially handicraft building industry of to-day.

The solution of these new tasks demands that *we raise the question of the technical and economic cadres in a new fashion, as well as the question of the knowledge*, level and number *of our technical and economic cadres.*

The present leaders of our economy, especially in industrial production, are in the main workers promoted from the plants by our Party and the government. With few exceptions, they have stood their ground splendidly. *They have proved conclusively*, with their zeal, devotion, ability to organise and by their entire work, *that the working class is not only capable of directing production and our economy, but can do a better job of it than the bourgeoisie.* But it would be a serious mistake to draw the conclusion from this statement that everything is going smoothly with the leadership in our industry, production and economy, that things can continue as they are without important new measures and very serious new efforts. Our new cadres, our *worker-cadres*, solved well the work formerly done by the bourgeoisie, in fact they went further. At present, however, and in the years to come our worker-cadres must, and shall, solve tasks which never faced the bourgeoisie. The Hungarian bourgeoisie never built several hundred huge plants within a few years; they never placed, and could not have placed, before themselves the goal of radically reconstructing a series of large plants, as a result of which the production of each reorganised plant increases its previous production two and threefold. The Hungarian exploiting classes did not, and could not, have made it their aim to bring about a large-scale mechanised building industry or to establish in Hungary a modern, mechanised agriculture with all the hallmarks of large-scale industry. The burden of this task must also be shouldered partially by our worker-cadres.

If we gauge the aptitude and technical knowledge of our present leading cadres by these new, tremendously increased and far more complicated tasks, we must admit that this aptitude, this technical knowledge is already not sufficient. Yet we do not have any other leading cadres than those who are now directing our industry, production and economy.

Therefore, what must we do? If we want to fulfil the new, greater tasks, and naturally we do, then we must raise with all means at our disposal the knowledge and technical level and, of course, political level, of our leading worker-cadres and economic cadres generally; *we must improve the quality of leadership.*

TRAINING TECHNICAL AND ECONOMIC CADRES

We must set ourselves the objective that our worker-cadres who occupy a directing role at various levels in the leadership of industry and production and in our economic life in general, *should acquire within 5-6 years, at least the knowledge of a plant engineer and secure the corresponding qualifications.* Those economic cadres who are not in production, but have functions of a general economic character, must master, during the same period of time, that measure of knowledge of financial, commercial and economic planning which corresponds to the completion of a school of economics, and must secure the corresponding qualifications. Our Party and the Council of Ministers of our People's Republic must give the necessary assistance to our worker-cadres so that the greater part of them can study and take examinations while holding their leading position, while we must send some of our leading worker-cadres to the Technical and Economic Academy or to colleges of a similar nature.

Naturally, not only our worker-cadres need education but our old technical and economic intelligentsia as well, because the tasks which are placed before our economic leaders by the new conditions are new not only to our worker-cadres but also to the old technical and economic intelligentsia.

Therefore, in addition to the old technical and economic intelligentsia, whom we must also utilise in the future to the fullest extent, *we must develop in the course of the next 5-6 years a technical and economic intelligentsia of the working class itself, a real intelligentsia of the people.* Without this, it is impossible to solve the increasing and ever more complicated tasks facing us, because our working class would not be able, without its own broad technical and economic intelligentsia—a new people's intelligentsia—to raise our entire people to a higher level.

The question of the technical and economic cadres, however, is not limited and cannot be limited to the top cadres directing industry, production and economy. This is a much broader

question. The problem is that our industry, communications, agriculture, and economy in general, is raising ever greater demands with regard to technically trained cadres, and we can only satisfy these demands to a small degree at present. There is a great shortage especially in engineers, technicians, agronomists and trained economists and statisticians.

The number of workers in our plants and at our construction sites has increased considerably during the past few years and the increase in the number of engineers and technicians obviously could not keep pace with this growth. After all, it is common knowledge that the training of an engineer takes longer than that of a worker. Consequently, there are at present fewer engineers in proportion to the number of workers in our plants and on construction sites than before the Second World War, although the total number of employed engineers is considerably greater than prior to the war. The relative decrease in the number of engineers in production, side by side with the very large-scale increase in the number of workers, was partly caused by the fact that a section of the engineers are employed in administrative work, which is entirely incorrect. Another reason is the utilisation of several thousand engineers in our planning and scientific institutions which was not required under the old regime because the bourgeoisie did not construct new plants by the dozen and hardly ever built new railways, roads, bridges, etc.

According to the augmented Five-Year Economic Plan we will train, up to 1954 inclusive, a total of 11,000 *engineers* in our technical universities and academies—that is, more than the total number of engineers we had at the beginning of the Five-Year Plan period. For this reason we must further increase the number of our engineering students, although this number is approximately ten times greater than prior to the Second World War. We must make serious efforts to have a greater number of women study engineering because, although we have taken some steps in this field compared with the past, we are still lagging behind. In addition to engineers, we have an extremely urgent need in production for trained *technicians*, that is for *technical middle cadres*. According to our new augmented Five-Year Plan we will train 17,000 *new technicians* during five years.

We must also consider now what is going to happen after the completion of our Five-Year Plan, and we must plan our training of engineers and technicians in the current five-year period accordingly. Taking into consideration the anticipated requirements and weighing our possibilities, we propose by the end of the Five-Year Plan period, by 1954, to increase the number of students of our industrial technical schools to 50,000 and the number of students in the various technical universities and high schools to 21,000. For this purpose we have to erect, in addition to the technical universities at Miskolc and Veszprém already under construction, a new school of architecture, a new general technical high school and nine new industrial technical schools.

In a ratio similar to that of the engineers and technicians, we have to develop the training of middle and higher economic experts and, to a still greater proportion, the training of *agricultural experts*.

The tens of thousands of these new, young technical and economic cadres come, in their overwhelming majority, from the sons and daughters of workers and working peasants; they will swell the ranks of the people's intelligentsia which, as I have already mentioned, we have to establish in the next 5-6 years as the broad leading strata of our economy.

The altered conditions under which our economy is now developing, and will do in the near future, not only demand that we approach the question of technical and economic cadres differently than hitherto, but also demand that *we approach the question of leadership in economy, production and factory management in certain respects in a new manner*.

RESPONSIBLE ONE-MAN MANAGEMENT

During our Three-Year Plan, and at the beginning of our Five-Year Plan, considerable difficulties could be traced to the lack of real *responsible, one-man leadership* in production in the majority of our factories, and to the fact that the factories were not, and are not, led by the manager.

Not long ago, during a visit to one of our major plants, I asked the manager about the question of responsible, one-man leadership in that particular plant. "This matter is in hand here," answered the manager. "Our factory triangle committee meets at least three times weekly, lasting not less than 4-5 hours. At these meetings we decide on all the production problems of the factory."

This is how certain comrades view the solution of the question of responsible one-man management.

In another very important plant it happened that the secretary of the factory Party committee announced the completion of the production plan ahead of time in the name of the factory triangle committee, without the director of the plant knowing about this report.

Although such a state of affairs was not considered satisfactory, until now we have reconciled ourselves to it somehow. We could put up with it because the worker-directors of our factories and enterprises did not possess, in the beginning, sufficient experience in the direction of the plant and enterprise, and willingly shared the responsibility for the leadership of the plant and enterprise with others. We could somehow tolerate the above-mentioned state of affairs in the past, all the more so because the tasks which the leadership of the plant had to handle consisted mainly of the continued functioning of the existing plant and the increasing of its production to a certain extent.

Now, and in the years to come, however, we cannot acquiesce to the blurring of the responsibility of leadership; that the plant should be led by some sort of a body instead of the responsible

director at the head of the plant and that the method of leadership, which is the only correct and effective one in the Party and social organisations, should be transferred to industry, production, the plants and the various sections of the economy. We cannot acquiesce to a collective type of leadership and the blurring of individual responsibility because such a form of leadership removes responsibility from the directors of the plants and enterprises, hampers the development of our industrial and economic cadres generally, messes things up and, as a result, is harmful to the development of our economy, to our socialist construction.

THE ROLE OF THE PARTY

Our Party organisations during the past year gave very great assistance to production. They realised fundamentally, at least in industry—but to a much smaller extent on the State farms, machine and tractor stations, and producer co-operative groups—that directive of our Central Committee that they place the questions of production in the centre of their work. Without this concentration of our Party organisations on production at least in industry, we could not have accomplished those very significant results which we actually achieved in the first year of the Five-Year Plan, which Comrade Rákosi mentioned in his report, and which I also spoke of at the beginning of my report. It is all the more necessary to emphasise this lest anyone draw the conclusion that the strict application of responsible one-man management will reduce, to any degree whatsoever, the role and responsibility of the Party organisation in production, in economic work. On the contrary, *the role and significance of the Party organisations and of the Communists in production must further increase*. The Party organisation, naturally, is responsible for everything that takes place in the plant. The consistent realisation of responsible one-man management in our plants and production must go hand in hand with our Party organisations doing a still better job in the field of everyday enlightenment and promotion of the proper initiative of the workers and also take the initiative in their dealings with the director of the plant or enterprise, further assisting the director in the complete realisation of the plan. This applies not only to the Party organisation and Party leadership but to every single Party member and candidate, in the sense in which *V. I. Lenin* defined the role of the agitator and people's educator in production :

" Every agitator must be a State leader, the leader of all the peasants and workers in problems of economic construction."—*Lenin*, vol. XXXI, p. 347.

These words of our great teacher express the fact that the Communist, the Party member, must be conscious of his obligations and responsibilities towards his own State, his factory and workshop, must be able to explain to the non-Party workers the path before them, and must set an example in the fulfilment of the tasks.

The consistent realisation of responsible one-man management in our factories and production raises, however, one more question with reference to the work of our Party organisations. When direction in the factory and production is a joint one, when responsible one-man management is replaced by collective management, then the questions of leadership and control are blurred, there is not and cannot be either a real responsible direction or a consistent control over direction. The Party organisations, the leadership of the Party organisation, the factory Party committee, must from now on deal much more seriously and thoroughly with the control of factory management and of the manager than was the case hitherto. From time to time they must require the director to submit a report on the work accomplished, exercise criticism of the work of the manager and factory management, make proposals for the improvement of the work, for economising on material, energy and labour power, etc. The Party organisation and the Party committee have to help the director and the management of the plant in such a way that they shall be able to meet the tasks entrusted to them by the Party and the higher economic organs.

If we thus clearly define the role of the Party organisation and the Party organs on the one hand and that of the manager and leadership in factory production on the other hand, and apply this in practice, then both Party work and economic leadership will improve in our factories.

DEPARTMENTAL MANAGEMENT

Under the new conditions, however, it is not sufficient for the assurance of correct methods of leadership that the management of the plant shall be a responsible one-man management. It is also necessary that the same shall be the case in the separate sections, shops and departments. It is further necessary that within a larger plant, *the separate sections, shops and departments shall operate on the basis of separate accounting ;* that consumption of material and energy, payroll expenses and, in general, all expenditure be clearly accountable. At the same time, it should clearly show the value that particular section of the plant is producing, how economically it operates, how productivity changes and whether or not production costs are decreasing.

The realisation of the system of separate accounting is correct not only because it makes important economies possible but also because it helps to uncover the mistakes and shortcomings in the plant and production, thereby helping to find methods for the liquidation of the mistakes and shortcomings.

In addition to responsible one-man management and separate accounting, it is absolutely necessary for the correct management of our plants, for the fulfilment of the considerably increased production tasks of our new Five-Year Economic Plan, that our plants shall have *detailed, obligatory and recorded production procedure*.

STANDARDISATION OF PRODUCTION

Already in the period of the Three-Year Plan, it was a serious drawback that in most branches of our industry, in the majority of our plants and

for the majority of our products, we did not have scientifically founded, detailed and obligatory manufacturing procedure and technology. We inherited the lack of technology and technologists from the Horthy regime. The major part of the plants of the bourgeoisie did not pay attention to this question, and could not do so because the plants in those days could be likened to hardware stores, which took up this and that, often producing a hundred different kinds of articles under one roof, and under such circumstances one could hardly speak of scientifically founded, strictly established and obligatory manufacturing procedure. No one can compel us, however, to accept something which was "good enough" for the bourgeoisie, also as good for the economy of the People's Democracy building socialism. For this reason the time has come for us to begin dealing seriously with the question of technology and production procedure, because the neglect of this problem means that we utilise the modern work machines and industrial equipment uneconomically, squander raw materials, the percentage of scrap is high, our products are not sufficiently standardised and all this has naturally an unfavourable effect upon production, productivity and production costs. On the other hand, the introduction of well thought-out, detailed, modern and compulsory manufacturing procedure is also a prerequisite for the utilisation in our industry—on the broadest possible scale—of *the methods of continuous production, the conveyor and semi-conveyor system* which gives us the possibility to considerably increase production, to raise productivity and further decrease production costs, or in other words make industrial products cheaper.

SHORTCOMINGS IN THE SYSTEM OF CONTROL

When we speak about the realisation of our new, modified economic Five-Year Plan under relatively new conditions, when we say that we have to alter and improve, under the new conditions, the methods of leadership of our economy, production and plants, we must complete this by saying that *proper control is part of proper leadership.* We know what a tremendous importance our great teachers *Lenin and Stalin* attributed to the problem of properly organised and properly exercised checking up.

"To lead," says Comrade Stalin, "does not at all mean writing resolutions and sending out directives. To lead means that we verify the carrying out of directives, and not only the carrying out of directives but the directives themselves; whether, from the viewpoint of living, practical work, they are correct or erroneous. It would be ridiculous to think that all of our directives are correct to a hundred per cent. This usually does not happen and cannot happen, Comrades. It is precisely the essence of checking the carrying out of decisions that our functionaries should verify, in the crucible of experience, not only the carrying out of our directives but also the correctness of the directives. Therefore, shortcomings in the execution of our directives are at the same time shortcomings of our entire leadership."—*Stalin*, vol. XI.

Do we have that system of control which Comrade *Stalin* speaks about? Does our control correspond to those requirements which Comrade *Stalin* sets in regard to control? We must truthfully state that our control meets only in very small measure the above-mentioned requirements. This means that our economic leadership is also deficient.

The trouble is not that we do not have *sufficient* control. The trouble is not with the quantity—or rather, frequently with the quantity too, not, however, in the sense that there is too *little* control but in most cases that there is too much parallel and *formal* control, working at cross purposes. For instance, at the No. 72 Post Office in Budapest various bodies executed 45 controls during two months. Sometimes the representatives of different controlling bodies even make appointments with each other at the same place. Similar cases occur quite frequently in other branches of our economy. *One of the greatest shortcomings of our control is, therefore, that it is formal and unsystematic.* The work of the State Control Centre, although considerably improved, is still not able to render serious assistance to the economic leadership. Its reports already point in most instances to the essence of the mistakes and irregularities, nevertheless the control often becomes formal due to the fact that the reports of the State Control Centre are prepared too late and, consequently, they "uncover" mistakes, irregularities and abuses that have been already exposed through different channels. The work done by the Control Departments of our Ministries too often becomes formal, because they do not carry out a systematic control of the most important decisions and instructions, but carry on their work on the basis of individual allegations. Some of them turn into regular investigating bodies, and while they do expose greater or lesser errors and abuses, they do not notice the fundamental, glaring errors. The Russian folk-tale about a man who went to the zoo and saw the mosquito and the humming bird, but "did not notice" the elephant applies to them. It is, of course, correct that the control bodies of the Ministries and the State control bodies in general take heed of allegations and carefully scrutinise them. But that their control activities should consist only of this cannot be accepted as correct. It is no accident, for instance, that the Control Department of the Ministry of Agriculture, which converted itself into such an investigating body, failed to notice the prevailing unhappy state of affairs on a considerable part of our State Farms and machine stations, that the deficit was increasing instead of decreasing, that petrol was wasted, that scarcely one-third of the employees of the State farms were paid according to piece rates, etc.

Another shortcoming of our control work is the *liberalism* towards those who committed the mistakes and abuses noticed in the course of the control, and often towards those who obviously sabotaged our economy.

Finally, the fact that we still involve very little the *broad working masses in the work of control* is also a very serious shortcoming of our control work. We do not properly utilise their observa-

tions, criticism, warnings—in fact, there were such shameful cases in which those who exposed the abuses were discharged from their place of work, while those committing the abuses were left at their posts, until our central bodies intervened. We must look for the hand of our people's enemy in such cases because he who suppresses criticism from the working masses, he who wants to exclude the working people from the work of control, is bringing grist to the mill of the enemy.

Our task, therefore, in the sphere of control is to develop the still mainly formal control into actual control; to put an end to the many kinds of superfluous, parallel and often cross-purpose control; to liquidate the liberalism still existing in many circles towards those ignoring State and Plan discipline, the squanderers of State property, and above all the hostile elements; systematise the participation of the working people in the work of control, and to give the force of law to this system of control.

SUMMING UP

To summarise: the new conditions, under which we must now realise greater and more complicated tasks in the sphere of the socialist building of our economy, demand the planned recruitment and training of the labour force and, together with this, a more planned management of the labour force; furthermore, the development of a socialist wage system, the formation of a broad technical intelligentsia from among the people, responsible one-man management, new methods of the leadership of production and economy, and the improvement of the work of control. All these are unavoidably necessary in order successfully to fulfil our new, augmented Five-Year Economic Plan.

CHARACTER AND PERSPECTIVE OF OUR ECONOMIC DEVELOPMENT

As is known, our economy in its present stage represents a transition from a capitalist to a socialist economy. It is an economy in which considerable features of capitalist economy still exist, but in which the commanding positions are in the hands of the working class in alliance with the working peasantry, and in which the laws of socialist economy reign supreme. At the same time, our economy still rests on two radically different and contradictory foundations: on the foundation of socialist large-scale industry and on that of small commodity producing agriculture. We know from the teachings of *Lenin and Stalin* and the experiences of the Soviet Union, but also from our own experiences, that this dualism cannot be maintained for long. *It is the decisive, strategic task of our Party*—therefore not its immediate task—*to prepare our working class and our working peasantry for the liquidation of this dualism, the creation of the unified socialist foundations of our economy, the voluntary association of our working peasants in producer co-operatives and, together with this, the liquidation of the kulaks as a class.*

ON THE ROAD TO A SOCIALIST ECONOMY

The acceleration of the country's industrialisation on the one hand and the passing over of the imperialist war incendiaries from war propaganda to open aggressive acts on the other hand, demands that we shall have an ever stronger and ever more socialist economy. For this reason, we must *intensify the preparations for the transition to a unified, socialist economic foundation.* This will unavoidably bring with it the *further sharpening of the class struggle in the village* for which we have to prepare our Party, our working class and our working peasantry.

In addition to the increased preparatory work which we must carry on in the interest of the socialist reorganisation of our agriculture, we must continue, in the whole field of our economy, the policy of limiting and *squeezing out the capitalist elements*, above all from trade. We must gradually replace capitalist by socialist trade to the extent to which we can create the necessary conditions for State trade in the towns, co-operative trade in the villages. Withal, we must watch that the extension of socialist trade shall not only cause no interruption in goods turnover but rather improve trade.

We must assist with economic regulations, with the allocation of investments and working capital, and also with our work of propaganda and organisation the development of the *handicraft producers' co-operative movement;* we must assure that these, as economic organisations belonging to the socialist sector—not exploiting hired labour—shall be made part of the socialist planned economy.

The pivot of the policy of our Party, the foundation of our People's Democratic State, is the alliance of the working class with the working peasantry and, within this alliance, the leading role of the working class. It is obvious that if this is the foundation of our Party's entire policy, of our People's Democratic State, then our economic policy can also rest only on this foundation of the alliance of the working class with the peasantry, *on the foundation of the further cementihg of this alliance.*

In our economic policy this means that we must further adapt, corresponding to the special conditions in Hungary, the so-called New Economic Policy which we are also applying now. This conception of Lenin's genius was first applied in the Soviet Union. We must apply this policy until we have achieved the victory of Socialism in all sectors of the economy because this policy, as Comrade *Stalin* teaches, cannot be dispensed with in any country building Socialism.

The application of this policy means that we must further maintain, in fact, in certain respects

strengthen, the *market relations* between the various branches of production, primarily between socialist industry and small commodity producing agriculture. We have to promote in this way increased production of small commodity producing holdings. We must build up more energetically the system of obligatory delivery of agricultural produce and products; at the same time, we must reduce the restraints upon those peasant economies which fulfil their obligations towards the State. We must enable them, with the previously mentioned proviso but without any restraint, to sell their excess commodities on the market. And, if we grant this benefit to the individually farming peasants, it is only natural that we shall also give at least the same to our producer co-operatives.

This regulation cannot mean, of course, the suspension or restriction of the regulating role of the State in the market. We do not stand, and never have stood, for petty-bourgeois spontaneity. For this reason we must pursue a policy that enables the State, our People's Democratic State, with the economic means at its disposal and with the stock of commodities in its possession, to positively, influence and regulate the shaping of the market prices.

At the same time, when we propose to maintain—in fact, in some respects broaden—the market relations, *we must much more decisively, in a much greater measure, intensify, strengthen, develop, extend and increase the direct production ties between the various branches of our economy and, above all, our industry and agriculture.*

What are these production ties? These are the machine stations and the assistance which they extend to our producer co-operatives and to our still individually working peasants. These are the various agricultural machines and implements which we supply to the villages. This is the increased provision of our agriculture with artificial fertilisers and high-quality seed. This is the manysided assistance which our People's Democratic State renders to our agricultural producer co-operatives not only through the machine stations but in the form of capital investment and other loans, the placing of breeding stock at their disposal, etc. Also within this category are the production agreements, through which we assure a certain portion of the required agricultural produce for the State and, at the same time, increase the crop yield with the aid of the extended advantages, such as credits, expert advice, seed and artificial fertilisers, and thus make possible the increased income of our producer co-operatives and of our working peasantry. Therefore, it is a matter of not only satisfying the *personal* requirements of the peasantry but to an ever larger degree their *production* requirements as well. We assist, with all these measures, the development of the whole of our economy in the direction of Socialism and intensify the preparations for the creation of the unified socialist foundations of the economy!

ACHIEVEMENTS AND THE TASKS AHEAD

Our working class, under the leadership of our Party, with the assistance of the Soviet Union, of the great *Stalin*, in alliance with the millions of working peasantry has already solved difficult tasks in the sphere of the construction of our People's Democratic State and our economy. We not only liquidated the ravages of war and cleared away the ruins, we not only restored the old level of our economy within a few short years; but we also began, and are successfully carrying out, the radical transformation of our industry, transport and our entire economy. During the six years which have elapsed since the Liberation of our country, our homeland has made greater strides forward on the road of development than during the preceding centuries. During these few short years, abounding in results, our *Party and our working class* proved by deeds *that they are capable of leading our economy, State and our nation.*

But the task which our Party, our working class and our working people must carry out in the next few years, the creation of a large-scale, modern socialist agriculture in place of the scattered and backward small peasant economy, the acceleration of the industrialisation of our country with the aid of the new revised Five-Year Plan and, as a consequence of all this, *the creation of a socialist economy resting on unified foundations*—is more difficult and more involved than any task which we have hitherto executed. We must see this clearly and prepare ourselves for it accordingly. But not only are the tasks to be executed greater and not only will the resistance of the enemies of the people further increase, but the strength of our Party, our working class and our people is tremendously, irresistibly growing, and will further continue to grow; the will of our people has hardened and will further harden, overcoming the difficulties of growth, *to shape our free homeland into a flourishing, socialist country.*

For this reason, we will also solve the tasks, greater and more difficult than hitherto, which now face us. We shall also solve this task *because it was placed on the order of the day by historical development itself,* because we know, thanks to the invincible teachings of *Lenin* and *Stalin,* how we must solve this task! Because our working class and our working people have an experienced vanguard, steeled in battle, have such a leading *Party,* as our great Party is, which, under the great banner of Marx, Engels, Lenin and Stalin, leads our people with resolute determination and indomitable faith in the struggle for the complete victory of Socialism in our country.

Long live our great Party, the Hungarian Working People's Party!

Long live the immortal teachings of Lenin and Stalin!

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